

August 14, 2008

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 2509 - Storm Contingency Fund
Updated Storm Fund Report for 2007**

Dear Ms. Massaro:

Enclosed please find (10) ten copies of National Grid's¹ Updated Storm Fund Report ("Report") for calendar year 2007. This Report updates the Company's previous Report submitted on March 31, 2008 in the above-referenced docket.

After further accounting review, the Company became aware of additional outside company charges related to the November 3-4, 2007 storm, which should have been included in the 2007 year-end storm fund report that was filed on March 31, 2008. The attached updated report reflects those additional charges, totaling approximately \$78,847, which are contained in Attachment 5 to the updated report.

The Company is also filing today, under separate cover, a report detailing the final incremental restoration costs incurred as a direct result of the November 3-4, 2007 storm.

Thank you for your attention to this filing. Should you have any questions regarding this report, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Paul Roberti, Esq.
Steve Scialabba, RI Division
John Bell, RI Division

¹ Filed on behalf of The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company").

UPDATED

The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report for Calendar Year 2007

August 14, 2008

Updated

**The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report - August 2008**

In compliance with the Commission's order in Docket 2509 regarding Storm Funds, The Narragansett Electric Company submits the following annual changes to the Storm Fund.

Annual Escalation of the Storm Fund Threshold

The new Storm Fund Threshold, calculated on Attachment 1 of this report, is \$728,000, an increase of 4.12% compared with the previous threshold of \$699,000. This increase reflects the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the month of December 2008 as compared to the preceding year.

Annual Change in the Storm Fund Interest Rate

The interest rate to be applied to the Storm Fund for the period March 1, 2008 through February 28, 2009 is based upon the average of the monthly rates for the twelve-month period ended February 28, 2007 for 10-year constant maturity Treasury Bonds as reported by the Federal Reserve Board. As shown in Attachment 2, this average rate for the twelve-month period ended February 29, 2008 is 4.46%.

Incremental Attachment Fee Revenue

Pursuant to the Distribution Rate Plan Second Amended Stipulation and Settlement approved in Docket No. 3617, 50% of all revenue received from attachment and other telecommunication company fees for use of distribution plant in excess of \$850,000 annually is to be credited to the Company's Storm Fund. In December 2007, \$320,342 was credited to the Storm Fund pursuant to this provision.

Annual Report of Storm Fund Activity

Attachment 3 is a report of the annual Storm Fund activity. This report shows the opening balance in the fund, monthly contributions, monthly interest applied, charges and/or credits, and other entries to the Storm Fund. There were two eligible storms which occurred during 2007, as well as the remaining charges from the October 28-29, 2006 storm, totaling approximately \$1.2 million, after deductibles. Please see below for a description of the storm activities.

April 15-16, 2007 Storm

The New England region experienced a classic Nor'easter on April 15 and 16, 2007. This storm event, which began at 9:00 am on the morning of Sunday, April 15th and continued through the afternoon of Monday, April 16th, brought heavy rainfall and wind gusts in excess of 50 mph to Rhode Island. These gusts were especially notable along coastal areas. In addition, as a result of the heavy rainfall, a number of small streams and rivers were placed under flood warning by the National Weather Service and ultimately experienced flooding conditions.

Although elevated winds were experienced on both days of the storm, the more intense of the reported gusts occurred on April 15th. During the first half of the Nor'easter, a wind gust of 53 mph was reported on Block Island, while downtown Providence experienced a wind gust of 60 mph. These winds were accompanied by significant rainfall amounts that ranged between three to five or more inches (locally) across the whole of Rhode Island.

During the storm, Little Compton recorded approximately five inches of rain and Providence experienced almost 3 ³/₄ inches of rain. These amounts resulted in flooding conditions along the Blackstone and Pawtuxet Rivers, as well as many smaller streams, and adversely affected movement through these and the surrounding areas. Additionally, flooding from the storm surge was reported along coastal communities such as South Kingstown and necessitated the closing, opening and re-closing of the Fox Point Hurricane Barrier to protect Providence from the affects of the storm surge during the associated high tides.

The damage resulting from the passage of this extended storm event necessitated the assistance of five (5) Company crews from our Massachusetts operations, 44 contractor line crews, seven (7) service restoration crews and 34 tree crews. These resources were in addition to the 39.5 Company line crews and 10 trouble men that also provided restoration assistance over the two-day event. These personnel responded to a total of 267 interruptions that affected 67,061 customers for 14,216,460 customer minutes of interruption. On average, these interruptions resulted in 0.14 SAIFI, 30.12 minutes of SAIDI and 212 minutes of interruption per customer affected. Attachment 4, which had been filed January 7, 2008, provides detail of the amounts charged to the Storm Fund for the April 15-16, 2007 Storm. This information is shown by major type of cost and includes corresponding vendor detail.

Final accounting for this storm was submitted to the Commission on January 7, 2008.

November 3-4, 2007 Storm

The New England region experienced a Nor'easter storm on November 3, 2007. This storm included the remnants of Hurricane Noel, which had become a strong ocean storm off the Carolinas and then quickly traveled northeast along the coast. The Nor'easter, which began at 7:00 am on the morning of Saturday, November 3, 2007 and continued throughout the day and ended in the early morning hours of Sunday, November 4, 2007, and brought intense rainfall and wind gusts in excess of 50 mph to Rhode Island. These gusts were especially notable along coastal areas. In addition and as a result of the intense rainfall, minor coastal flooding occurred during the storm hours.

The most intense wind gusts accompanied the passage of the remains of Hurricane Noel during the mid-afternoon and early evening hours of November 3. A wind gust of 56 mph was reported in Newport with 44 and 43 mph noted for Providence and Westerly, respectively. This was accompanied by sustained winds between 25 and 35 mph, along with rainfall amounts that ranged between 1/2 and 3/4 inches across the whole of Rhode Island.

The damage resulting from the passage of this storm required assistance from additional internal and contractor resources. These resources included 17.5 contractor line crews, nine (9) service restoration crews, 41 wires down standby personnel, and 15 tree crews. These resources were in addition to the 27 Company line crews and 9 trouble men that also provided restoration assistance during the storm event. The Company responded to a total of 83 interruptions that affected 21,462 customers for 2,197,700 customer minutes of interruption. On average, these interruptions resulted in 0.05 SAIFI, 4.65 minutes of SAIDI and 102 minutes of interruption per customer affected. Attachment 5 provides detail of the amounts charged to the Storm Fund for the November 3-4, 2007 Storm. This information is shown by major type of cost and includes corresponding vendor detail.

Final accounting for this storm will be submitted upon receipt of all associated costs.

The Narragansett Electric Company

d/b/a National Grid

Annual Escalation of Storm Fund Threshold

1. 2007 Annual Storm Fund Threshold	\$699,000
2. Times Change in Consumer Price Index	4.12%
3. Additional Storm Fund Threshold	\$28,799
4. Actual Annual Storm Threshold for 2008	\$727,799
5. Proposed Annual Storm Fund Threshold for 2008	\$728,000

1/ Annual Threshold based on the Distribution Rate Plan Second Amended Stipulation and Settlement dated October 15, 2004.

2/ Consumer Price Index:

	<u>Index</u>	<u>Percent Change</u>
All Urban Consumers - Base Period 1982-84=100 @ 12/01/06	202.8	
All Urban Consumers - Base Period 1982-84=100 @ 12/01/07	211.2	4.12%

3/ Line 1 times Line 2

4/ Line 1 plus Line 3

5/ Line 4 rounded to the nearest thousand

The Narragansett Electric Company

d/b/a National Grid

Calculation of Average Annual Storm Fund Interest Rate
For the Year March 1, 2007 to February 29, 2008

<u>Federal Reserve Board Statistical Release Date 1/</u>	<u>10 Year Constant Maturity Treasury Bonds Interest Rate</u>
April 3, 2007	4.56%
May 1, 2007	4.69%
June 5, 2007	4.75%
July 3, 2007	5.10%
August 7, 2007	5.00%
September 4, 2007	4.67%
October 2, 2007	4.52%
November 6, 2007	4.53%
December 4, 2007	4.15%
January 8, 2008	4.10%
February 5, 2008	3.74%
March 4, 2008	3.74%
 Average Annual Rate	 <u>4.46%</u>

1/ Monthly Selected Interest Rates are released the first Tuesday of every month for the preceding month.

The Narragansett Electric Company

d/b/a National Grid

Annual Report of Storm Fund Activity
For the Year Ended December 31, 2007

Month	Beginning Balance (a)	Monthly Contribution (b)	Monthly Interest (c)	Oct-2006 Charges (d)	Apr-2007 Charges (e)	Nov-2007 Charges (f)	Adjustments (g)	Ending Balance (h)
January-07	\$18,204,982	\$86,750	\$65,684	(\$143,984) 1/			\$0	\$18,213,432
February	\$18,213,432	\$86,750	\$65,715	(\$2,452) 1/			\$0	\$18,363,446
March	\$18,363,446	\$86,750	\$73,738	\$0			\$0	\$18,523,934
April	\$18,523,934	\$86,750	\$74,384	\$0	(\$119,719) 2/		\$0	\$18,565,349
May	\$18,565,349	\$86,750	\$74,551	\$0	(\$596,378)		\$0	\$18,130,272
June	\$18,130,272	\$86,750	\$72,800	\$0	(\$125,467)		\$0	\$18,164,354
July	\$18,164,354	\$86,750	\$72,937	\$0	(\$10,360)		\$0	\$18,313,681
August	\$18,313,681	\$86,750	\$73,538	\$0	(\$7,256)		\$0	\$18,466,713
September	\$18,466,713	\$86,750	\$74,154	\$0			\$0	\$18,627,617
October	\$18,627,617	\$86,750	\$74,802	\$0			\$0	\$18,789,169
November	\$18,789,169	\$86,750	\$75,452	\$0		(\$134,711) 3/	\$0	\$18,816,660
December	\$18,816,660	\$86,750	\$75,562	\$0		(\$170,222)	\$320,342 4/	\$19,129,092
Year Ended 12/31/07	\$18,204,982	\$1,041,000	\$873,317	(\$146,436)	(\$859,181)	(\$304,933)	\$320,342	\$19,129,092

1/ Represents remaining storm charges from the October 28 & 29, 2006 storm.

2/ Represents storm charges of \$494,719 less \$375,000 deductible.

3/ Represents updated storm charges of \$509,711 less \$375,000 deductible.

4/ Represents 50% of 2007 attachment fee revenue in excess of \$850,000.

**The Narragansett Electric Company
d/b/a National Grid
April 15 - 16, 2007 Storm Total O&M Restoration Costs
Between Normal and Incremental Costs**

	<u>Total Restoration Costs</u>	<u>Normal Costs</u>	<u>Incremental Costs (1)</u>
Payroll charges excluding payroll overheads for Narragansett employees	\$642,769.53	\$121,725.93	\$521,043.60
Charges for Transportation on Narragansett Vehicles	\$57,336.60	\$57,336.60	\$0.00
Charges from outside companies	\$706,160.52	\$0.00	\$706,160.52
Charges for materials and supplies (2)	\$5,507.72	\$1,043.04	\$4,464.68
Charges for employee expenses	<u>\$2,511.71</u>	<u>\$0.00</u>	<u>\$2,511.71</u>
Total	<u>\$1,414,286.08</u>	<u>\$180,105.57</u>	<u>\$1,234,180.51</u>

(1) Incremental costs are defined as the costs which Narragansett incurred as a direct result of the storm which were over and above Narragansett's normal cost of doing business.

(2) Materials and supplies were allocated between normal costs and incremental costs using the ratio of incremental payroll to total payroll.

**The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of April 15 - 16, 2007**

<u>Outside Companies</u>	<u>Amount</u>	<u>Apr-2007</u>	<u>May-2007</u>	<u>Jun-2007</u>	<u>Jul-2007</u>	<u>Aug-2007</u>
Harlan Electric Company	\$56,319.92		\$56,319.92			
Hawkeye Electric LLC	\$151,710.22		\$47,369.51	\$104,340.71		
JCR Construction	\$17,757.09			\$7,408.94	\$10,348.15	
Lewis Tree Service	\$93,683.64		\$76,770.36			\$16,913.28
Pro Unlimited, Inc.	\$14,267.33		\$14,267.33			
The Davey Tree Expert Co	\$56,118.37		\$56,118.37			
Thiro USA, Inc.	\$165,049.82		\$165,037.82		\$12.00	
Narragansett Electric	\$11,761.54		\$11,761.54			
National Grid USA Service Co.	\$137,900.80	\$66,687.35	\$55,564.60	\$12,728.34		\$2,920.51
Items under \$10,000	<u>\$1,591.79</u>	<u>\$224.64</u>	<u>\$1,367.15</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Subtotal Outside Companies	\$706,160.52	\$66,911.99	\$484,576.60	\$124,477.99	\$10,360.15	\$19,833.79
Incremental Company Payroll	\$521,043.60	\$426,748.56	\$106,437.31	\$435.62	\$0.00	(\$12,577.89)
Incremental Materials & Supplies	\$4,464.68	\$0.00	\$4,464.68	\$0.00	\$0.00	\$0.00
Incremental Employee Expenses	<u>\$2,511.71</u>	<u>\$1,058.34</u>	<u>\$899.84</u>	<u>\$553.53</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Incremental Costs	\$1,234,180.51	\$494,718.89	\$596,378.43	\$125,467.14	\$10,360.15	\$7,255.90
Less Deductible	<u>(\$375,000.00)</u>	<u>(\$375,000.00)</u>				
Amount Charged to Storm Fund	<u>\$859,180.51</u>	<u>\$119,718.89</u>	<u>\$596,378.43</u>	<u>\$125,467.14</u>	<u>\$10,360.15</u>	<u>\$7,255.90</u>

**The Narragansett Electric Company
d/b/a National Grid
November 3 - 4, 2007 Storm Total O&M Restoration Costs
Incurred Through December 31, 2007
Between Normal and Incremental Costs**

	CY 2007 Total Restoration Costs	CY 2007 Normal Costs	CY 2007 Incremental Costs (1)
Payroll charges excluding payroll overheads for Narragansett employees	\$457,679.53	\$44,025.60	\$413,653.93
Charges for Transportation on Narragansett Vehicles	\$37,890.17	\$37,890.17	\$0.00
Charges from outside companies	\$263,302.48	\$0.00	\$263,302.48
Charges for materials and supplies (2)	\$791.79	\$76.16	\$715.63
Charges for employee expenses	<u>\$2,261.23</u>	<u>\$0.00</u>	<u>\$2,261.23</u>
Total	<u>\$761,925.20</u>	<u>\$81,991.93</u>	<u>\$679,933.27</u>

(1) Incremental costs are defined as the costs which Narragansett incurred as a direct result of the storm which were over and above Narragansett's normal cost of doing business.

(2) Materials and supplies were allocated between normal costs and incremental costs using the ratio of incremental payroll to total payroll.

**The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of November 3 - 4, 2007**

<u>Outside Companies</u>	<u>CY 2007 Amount</u>	<u>Nov-2007</u>	<u>Dec-2007</u>	<u>Jan-2008</u>	<u>Feb-2008</u>	<u>Mar-2008</u>
D&D Power, Inc.	\$14,866.66		\$14,866.66			
Lewis Tree Service	\$46,408.42	\$10,209.16	\$36,199.26			
McDonough Electric Const Corp.	\$29,187.08		\$29,187.08			
Northeast Line Construction Corp.	\$34,639.20		\$34,639.20			
The Davey Tree Expert Company	\$47,575.59	\$25,530.75	\$22,044.84			
Thiro USA, Inc.	\$0.00			\$173,920.78	\$169,840.05	
National Grid USA Service Co.	\$60,667.40	\$53,237.84	\$7,429.56	\$6,017.10	\$11,762.80	\$2,033.44
Items under \$10,000	<u>\$29,958.13</u>	<u>\$13,818.86</u>	<u>\$16,139.27</u>	<u>\$1,736.23</u>	<u>\$2,708.88</u>	<u>\$0.00</u>
Subtotal Outside Companies	\$263,302.48	\$102,796.61	\$160,505.87	\$181,674.11	\$184,311.73	\$2,033.44
Incremental Company Payroll	\$413,653.93	\$404,756.00	\$8,897.93	\$0.00	\$0.00	\$0.00
Incremental Materials & Supplies	\$715.63	\$715.63	\$0.00	\$0.00	\$0.00	\$0.00
Incremental Employee Expenses	<u>\$2,261.23</u>	<u>\$1,442.75</u>	<u>\$818.48</u>	<u>\$111.18</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Incremental Costs	\$679,933.27	\$509,710.99	\$170,222.28	\$181,785.29	\$184,311.73	\$2,033.44
Less Deductible	<u>(\$375,000.00)</u>	<u>(\$375,000.00)</u>				
Amount Charged to Storm Fund	<u>\$304,933.27</u>	<u>\$134,710.99</u>	<u>\$170,222.28</u>	<u>\$181,785.29</u>	<u>\$184,311.73</u>	<u>\$2,033.44</u>

Incremental costs for January, February and March will be included in next year's report.